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SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 28 June 1995, at 3 p.m.

President: Mrs. OK (Turkey)

CONTENTS

Agenda item		*Paragraphs*
7	Report of the Programme and Budget Committee	1 - 36
	(a) Scale of assessments	
	(b) Interim financial performance report and programme performance report	
	(c) Programme and budgets, 1996-1997	
	(d) Working Capital Fund	
	(e) Appointment of External Auditor	
	(f) Electronic data-processing programme	
	(g) Financial situation of UNIDO	
	(h) Industrial Development Fund	
	(i) UNIDO Country Director programme	
	(*continued*)	
9	The regional dimension	37 - 116
	(a) Second Industrial Development Decade for Africa	
	(b) Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian people	
	(c) Special Programme for the Industrial Development of Asia and the Pacific	
	(d) Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean	

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The meeting was called to order at 3.10 p.m.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE

(a) SCALE OF ASSESSMENTS

(b) INTERIM FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT

(c) PROGRAMME AND BUDGETS, 1996-1997

(d) WORKING CAPITAL FUND

(e) APPOINTMENT OF EXTERNAL AUDITOR

(f) ELECTRONIC DATA-PROCESSING PROGRAMME

(g) FINANCIAL SITUATION OF UNIDO

(h) INDUSTRIAL DEVELOPMENT FUND

(i) UNIDO COUNTRY DIRECTOR PROGRAMME

(*continued*) (IDB.14/2 and Corr.1, IDB.14/3, IDB.14/4 and Add.1, IDB.14/5, IDB.14/6 and Add.1, IDB.14/9, IDB.14/10/Add.1 and Corr.1, IDB.14/10/Add.2 and Corr.1, IDB.14/10/Add.3, IDB.14/13, IDB.14/20, IDB.14/25, IDB.14/26, IDB.14/28; IDB.14/CRP.3; PBC.11/8 and Corr.1)

1. **Mr. PARODI** (Chile) supported the statement on item 7 made by the Chairman of the Group of 77. He welcomed the fact that the Secretariat had taken positive steps to streamline the programme and budgets of the Organization, to reduce administrative and operational costs and to improve its management procedures, all of which was reflected in the proposals submitted to the Board.

2. His delegation was, however, concerned by the difficult financial situation likely to arise following the substantial decrease in its contribution that one Member State was expected to make. Such a step would have a very negative effect on an organization which was making worthwhile efforts to improve and modernize its working methods and respond better to the changing world situation and the changing needs of its Members. Both the process of reform and efforts to increase assistance for the developing countries would be jeopardized.

3. Chile hoped that all Member States would fulfil their obligations to the Organization in accordance with its Constitution.

4. **Mr. AZIRIA** (Algeria), speaking on behalf of the African Group, wished to inform the Board that the Assembly of Heads of State and Government of the Organization of African Unity (OAU) which was currently meeting had adopted a resolution expressing support for UNIDO the previous day. He would be grateful if the Secretariat would distribute the resolution to the Members of UNIDO.

5. **Mrs. TEPATANAPONG** (Thailand) expressed her delegation's concern about UNIDO's financial situation in view of the possible reduction in contributions. A cut in the contribution of the United States of America would have serious effects on UNIDO's financial position and the implementation of its programme. Her delegation wished to call on all Member States to fulfil their obligations under the Constitution and pay their assessed contributions to the Organization in full.

6. With regard to document IDB.14/6 and Add.1 and the budgetary allocation for technical cooperation, her delegation believed that it would not be advisable at present to change the 6 per cent figure for technical cooperation activities. The matter might more appropriately be discussed in the future. Regarding the UNIDO Country Director (UCD) programme, her delegation believed that the number of UCD offices should gradually be increased until they reached 50, including three subregional offices, or at least maintained at the current level. It also believed that UNIDO's field representation should be financed from the regular budget in line with similar practice in other specialized agencies. Regarding document IDB.14/25 on future field representation, only option (a) (paragraphs 26-34) was acceptable to her delegation. Since the Executive Board of UNDP/UNFPA had already authorized the allocation of $3 million up to the year 1997 to finance the UCD programme, scenario 1 under option (a) was preferable. Her delegation welcomed the Secretariat's proposal to recruit at least one National Professional Officer for each field office, a step which would undoubtedly facilitate the work of the UCDs. The target date of the year 2000, however, might have to be extended if a major contributor reduced its regular budget contribution and the 1992-1993 unutilized balances could not be used. Member States should therefore be urged to make all possible efforts to increase voluntary contributions in support of the programme.

7. **Mr. SZYMANSKI** (Poland) noted that the activities planned for the coming biennium and the resources allocated to them had been grouped by organizational units. That made it more difficult to assess the compatibility of the programmes and budget with the goal of focusing UNIDO activities. That weakness was partly compensated by the introduction to document IDB.14/2 and the linking of individual programmatic themes to the programme and budgets in document IDB.14/13.

8. The following were positive features: conformity with the requirement of a zero growth rate in the UNIDO regular budget; more realistic prediction of operational budget income; efforts made to strengthen the substantive units of the Secretariat through savings on administrative and support activities and emphasis on income-generating activities; efforts to concentrate UNIDO activities. Further efforts needed to be made to coordinate priorities and to focus UNIDO activities for 1996-1997.

9. He was concerned by the current financial difficulties faced by UNIDO and had noted that contingency plans were being prepared for use in the event of a major shortfall of resources from assessed contributions. His Government continued to support all measures aimed at making UNIDO more cost-effective.

10. **Mr. DE FIGUEIREDO** (Observer for Angola) said that the Board was meeting at one of the most difficult periods in UNIDO's history, but that the present crisis might be turned to advantage if the current reforms were carried out successfully and if Member States fulfilled their obligations to the Organization.

11. His Government believed that UNIDO could play an increasingly valuable part in assisting the developing countries in the process of industrialization. The establishment of a sound industrial sector was essential to social and economic progress. The Organization could be made more efficient. His Government wished to encourage the Director-General to pursue the ongoing reforms and hoped that the process would allow UNIDO to place greater emphasis on specialization, with high-level experts capable of working effectively. To achieve that end, however, it would not suffice to lay down principles and priorities and change the structure of the Organization. The working methods and attitudes of the Secretariat would need to change as well.

12. Implementation of the new strategy of field representation was an area in which the reforms should show their worth. The paucity of available resources was such that priorities had to be established. In that respect, his Government hoped that the interests of the African region and especially those of the least developed countries would be given priority. The presence of UNIDO was most needed where national capacities were clearly lacking. The temptation should be resisted to give priority to countries considered more attractive at the expense of the poorer countries. Countries which were not in a position to cover part of local expenses should not be punished for their lack of resources.

13. The transfer of staff members from the Secretariat to the field might be necessary because of the inadequacy of resources. There again, competence and professional experience should be the first criterion in selecting the staff members concerned.

14. **Mr. PRASAD** (India) said that his delegation was deeply concerned about the financial situation of UNIDO, after hearing the statement made by the United States delegation at the first meeting of the session. It supported the efforts made by the Director-General to work out appropriate measures to deal with the problem. Such efforts should focus on preparing an expenditure plan for 1995 and 1996-1997 and on implementing agreed priority programmes and activities.

15. His delegation agreed that the 1996-1997 budget should be approved for the present and contingency plans for expenditure management considered by a special session of the Programme and Budget Committee and a resumed session of the Board shortly before the next General Conference session, when more accurate information on payments of contributions might be available. Priority substantive programmes and activities should be maintained and expenditure reduced on administrative and non-development activities.

16. His delegation appreciated the information and assistance provided to permanent missions to help them establish electronic linkages with UNIDO. It was glad to note that the computerization system was being applied to expert recruitment, procurement and travel, and hoped that that would lead to further savings and reduced staff requirements while also improving efficiency and monitoring. Such measures should be extended to other aspects of UNIDO operations, particularly with regard to project appraisal, formulation and implementation.

17. Regarding the Industrial Development Fund (IDF), his country would continue to make its annual contribution of $1 million to the Fund. It had also made substantial contributions towards the International Centre for Genetic Engineering and Biotechnology and was considering contributions towards an international centre for advanced manufacturing technology. It welcomed the progress made in securing funding for projects under the Montreal Protocol and the Global Environment Facility and would support further efforts in that area.

18. It also supported the action taken to diversify sources of funding for projects, for example from development financing institutions and private-sector industrial projects under trust funds.

19. His country fully supported steps to strengthen the UCD network, although resource constraints might lead

to a delay in reaching the target of 50 offices by the year 2000. India welcomed the fact that UNDP was making available $3 million for the programme and hoped that further efforts would be made to mobilize resources from donors and host countries. The use of electronic networking might enable UNIDO to work better with industrial actors in developing countries on a cost-effective basis.

20. **Mr. VON KOPPENFELS** (Germany) asked whether the contingency measures for the remainder of 1995 mentioned by the Director-General at the previous meeting included a call on the Working Capital Fund. His delegation hoped that that was not the case. The purpose of the Working Capital Fund was to bridge short-term liquidity problems arising from delays in the receipt of contributions and not that of compensating for non-payment. Having recourse to the Working Capital Fund to compensate the non-payment of contributions would undermine the revolving nature of the Fund for it would be impossible to expect that any contributions to replenish it would be made.

21. **Mr. Seung Kon LEE** (Republic of Korea) said that his delegation had noted with concern the possibility that UNIDO's income for 1995 might be reduced. The uncertainty of the financial outlook threatened the growing stability of UNIDO's financial situation. His delegation was therefore inclined to agree with the suggestion that financial regulations be suspended temporarily and unutilized balances for 1992-1993 retained to strengthen the cash position of UNIDO. It was, of course, essential for contributions to be paid in full and on time and he appealed to all Member States, particularly major donors, to pay any arrears without delay.

22. His delegation agreed that field representation should be increased and strengthened as an indispensable policy element of the reformed UNIDO, and welcomed the fact that UNDP would be providing $3 million for it in 1997.

23. It had studied with interest the suggestions set out in document IDB.14/25 for a new framework for field representation. Scenario 1 under option (a) or scenario 5 under option (b) were attractive, but financial constraints might preclude them. Options (a) and (b) were perhaps complementary rather than contradictory and his delegation hoped that a new and more feasible scenario combining the ideas of the two options might be worked out before the sixth session of the General Conference.

24. It supported UNIDO's plan to establish subregional offices but wondered whether there was a difference between subregional and multi-country offices. It urged the Director-General to work out a detailed plan for the redeployment of headquarters posts to field offices through rotation. Additional resources should be mobilized through voluntary contributions by donor and host countries alike, and his delegation supported the idea of establishing a special field representation fund. It also believed that UNIDO should make further efforts to obtain contributions from host countries to cover local office costs.

25. **Mr. HOBEICA** (Lebanon) said that his delegation fully shared the concern expressed regarding the decision of the United States of America to reduce its contribution by one half. That decision was bound to have negative effects on UNIDO, on the implementation of its programme and on countries benefiting from UNIDO's activities. It was unfortunate that such a decision should be made at a time when the international community was celebrating the fiftieth anniversary of the adoption of the United Nations Charter. UNIDO was an important part of the United Nations system and the developing countries placed their trust in it. His delegation wished to request the United States to continue to fulfil its obligations to UNIDO to enable it to carry out all the reforms now under way and to continue to fulfil its mandate for the benefit of international cooperation.

26. The proposed budget for 1996-1997 constituted the minimum necessary to allow UNIDO to carry out its programme. His delegation had noted the Director-General's reforms and the fact that 9 per cent of the administration budget had been cut. Failure to adopt the budget as set out in document IDB.14/9 would constitute a major setback for the developing countries and he wished to ask the Director-General to put forward proposals aimed at finding the resources required to enable the budget to be kept at the level at which it had originally been submitted.

27. **Mr. SHAH** (Pakistan) said that it now seemed likely to be difficult, if not impossible, to carry out all the programmes and activities envisaged unless some Member States increased their voluntary contributions or the Secretariat managed to mobilize additional resources. Non-payment of its assessed contribution by a major State would clearly impair the Organization's ability to deliver the services needed. However, donor countries had withdrawn from UNIDO in the past, and other international organizations had continued to exist despite the withdrawal of some member States.

28. He was in agreement as to the need for full and timely payment of assessed contributions. He would ask the Director-General to work out contingency plans to adjust UNIDO activities to the new financial realities

with a view to lessening their adverse effects, especially on priority areas. He was confident that UNIDO would overcome its current difficulties.

29. While UNIDO would not be able to implement all its planned activities, there were some areas which required special attention. Field representation was one such area and he therefore wished to suggest that UNIDO continue to strengthen its UCD programme.

30. UNIDO provided a wide range of services to promote the industrial development of the developing countries. Budget growth was already at zero and was likely to become negative in view of recent developments. That would necessitate further sharpening of focus. In that connection, he wished to stress the importance of UNIDO's assistance in the promotion of the transfer of technology and in investment promotion, and the regional dimension of UNIDO's activities.

31. **Mr. DE MARIA Y CAMPOS** (Director-General) said that he wished to thank speakers for their comments on the documents presented and the sympathy they had expressed concerning UNIDO's problems. The situation now facing UNIDO following the announcement made by the United States of America was alarming, since 25 per cent of the regular budget was involved, and the Organization was at the end of a biennium. The reduction in income would hit current programmes and activities very hard. Fortunately, UNIDO's resources had been prudently managed and expenditures kept down during the first six months of 1995 and the savings resulting could be used to offset the reduction in income to some extent — but only partially. If the United States contribution was reduced as announced, he would be obliged to make serious cuts in expenditure and launch an emergency programme immediately. Many programmed activities would not take place and meetings might be cancelled. Such an emergency programme was already being discussed.

32. He wished to ask the Board to adopt a clear resolution on the programme and budget for the next biennium at the end of its current session. The programme budget was the basic instrument for the work of UNIDO. The proposals had been prepared in accordance with the existing mandate and on the basis of the present number of Member States and the established scale of assessments; no changes could be made unless official notification was received of a withdrawal of the United States of America from UNIDO. As long as that country remained a Member of UNIDO it had an obligation to pay its assessed contribution. Nevertheless, the Secretariat had to advance its preparation of contingency plans in view of what had been stated during the current session of the Board by representatives of that country. Revised expenditure plans could be prepared on the basis of a predicted shortfall in payments. As for a withdrawal of the United States from membership, that would have major implications for the Organization and would require a revised programme and budget, with perhaps the identification of entire programmes that would have to be eliminated.

33. Regarding unutilized balances, which were needed for dealing with cash flow problems, some members had expressed concern that they might be used to offset the shortfall in contributions of a Member State. Those unutilized balances had been brought about basically by late payments from Member States, and it would be fair to use them to offset future late payments. Several other Member States were in arrears, though the levels were not as high as in the case of the United States of America. He urged the Board to consider the health of the Organization and its programmes and permit financial flexibility.

34. As for the Working Capital Fund, its purpose was to deal with short-term liquidity problems and it would certainly not be used to offset major shortfalls unless approved by the Board. The Secretariat's proposal to establish a contingency special reserve had a similar purpose, and he hoped that the Board would approve it. The demands that there would be for reductions in expenditure for the rest of the current year would be very sizeable as things stood, but until an emergency programme could be drawn up it was difficult to be certain that the Organization would be spending all the resources allocated for the current year, and it was better for resources to be well used than for UNIDO to be forced to use them in a given year because of lack of flexibility. He hoped that the Organization would not have to use such reserves, but it might be useful to put some funds from the current biennium in a contingency reserve.

35. He would continue to endeavour to persuade the United States of America to recognize the relevance of UNIDO and to remain a Member of the Organization, and would welcome all assistance in that effort. It was also fundamental that all Member States should pay their contributions in full; some which were in the midst of financial difficulties or structural adjustment programmes, or were coping with the consequences of natural disasters, were doing so, while others which were relatively prosperous were not. He asked for the support and generosity of Member States. The Organization's programmes must be continued, and efforts should be made to increase voluntary contributions, especially in order to avoid any reduction in technical cooperation activities. The Secretariat had done all the requested

work regarding the possible reform of the 6 per cent ceiling for technical cooperation in the regular budget, but it did not seem timely to discuss that matter when there were big problems affecting the regular budget. Field representation was an area of UNIDO where fundamental change still had to be made. However, in the present situation, with dwindling UNDP contributions, all that had been possible had been to redistribute some posts to the field. From a pragmatic viewpoint, it seemed that the further development of field representation would have to be postponed. Finally, he urged Board members to give serious thought to the establishment of a fund with voluntary contributions, and suggested that all Member States interested in establishing offices at national or subregional levels should analyse along with the Secretariat any possible solutions there might be to the field representation problem.

36. **Mr. VAN RAALTE** (Managing Director, Division of Administration), referring to the question of possible budget revisions, said that, under financial regulation 3.10, the procedure for revising the budget was essentially the same as that for the establishment of the original budget. The process of preparing estimates was a very difficult one, and it would be even more complicated if there was uncertainty about the exact size of any reduction involved. Regarding the Working Capital Fund, regulation 5.4 made the General Conference responsible for determining its amount and purposes, and provided for advances to be made from it only for those purposes. The General Conference had laid down that such sums could be advanced from the Fund as might be necessary to finance budgetary appropriations pending the receipt of contributions, and that the sums were to be reimbursed as soon as receipts from contributions were available for that purpose (see Conference decision GC.2/Dec.27).

THE REGIONAL DIMENSION

(a) SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

(b) SPECIAL PROGRAMME FOR INDUSTRIAL DEVELOPMENT IN THE ARAB COUNTRIES, INCLUDING TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

(c) SPECIAL PROGRAMME FOR THE INDUSTRIAL DEVELOPMENT OF ASIA AND THE PACIFIC

(d) REGIONAL COOPERATION PROGRAMME FOR THE INDUSTRIAL RECOVERY OF LATIN AMERICA AND THE CARIBBEAN

(IDB.14/10, IDB.14/15, IDB.14/18, IDB.14/19, IDB.14/21)

37. **Ms. KING-AKERELE** (Managing Director, Country Strategy and Programme Development Division) said that 8 of the 14 industrial sector programming missions fielded in the African region in the previous year had been to least developed countries (LDCs), which were one of UNIDO's key priorities. For the next biennium under IDDA, a significant proportion of certain categories of support, such as supplementary activities, were to be allocated to LDCs. The special programme of assistance for Asian LDCs had been successful and was moving into a second phase.

38. An improved quality management system for UNIDO's services had been established following concern expressed by major donors in 1991 regarding the quality of the Organization's technical cooperation projects. A quality management system for development cooperation had been adopted, and she was happy to report that representatives of the same major donors and multilateral agencies had confirmed recently that the concepts of the UNIDO quality system were more advanced than their own.

39. Draft regional strategies for all developing regions were being finalized. In the last quarter of 1994, industrial sector programme review missions had been sent to 14 African countries in response to the Yaoundé Declaration and the Mauritius Declaration, and had reviewed the needs of industry in each country with a view to identifying how UNIDO could best respond to them. Many of the priorities identified were upstream or preparatory in nature or related to the strategic management of industrial development (SMID) and assistance in designing long-term visions for industrial development. In Kenya a successful workshop on SMID had been held in March 1995, and UNIDO consultants were following through and deepening that process; Uganda and Tanzania were also being assisted in setting up the SMID process. A project identification mission on phasing out ozone-depleting substances had been completed in Côte d'Ivoire; in Benin a training workshop for women entrepreneurs in the field of food processing had been scheduled for July 1995; a team of consultants would be arriving in Ghana in August 1995

to undertake an in-depth study of the packaging industry. Missions to Cameroon, Chad, the Central African Republic, Ethiopia, Gabon, Madagascar, Morocco and the Eastern/Southern and West African subregions were under preparation for later in 1995.

40. Steps had been taken to improve the support services provided for IDDA. As part of the general revision of the services management process, IDDA funds had been brought under the management of the Programme and Project Review Committee (PPRC). For technical assistance activities, a new screening methodology had been implemented and an integrated package of project concepts developed. In order to maximize efficiency, the IDDA coordination function had been integrated into the Africa Programme. The recent private-sector forum sponsored by UNIDO and UNDP had been a unique opportunity for interaction between Africa's private sector and Ministers of Industry. A follow-up mechanism had been set up with emphasis on the national and subregional levels. Since the last session of the Programme and Budget Committee, informal consultations had been started with the African Group and would be held initially on a quarterly basis.

41. The Asia and Pacific region had experienced impressive rates of growth in the period 1980-1990, with the industrial sector being one of the most significant engines of that growth. The Special Programme for the Industrial Development of Asia and the Pacific was particularly aimed at the development of the LDCs in the region, with its main focus being on two industrial themes in the agriculture sector, namely the agriculture-related metalworking and food-processing industries. In view of the industrialization needs in Asia and the Pacific, the Director-General had decided to convene, in cooperation with ESCAP, a regional meeting of ministers of industry to gain an overview of the constraints and how to overcome them in order to accelerate industrial development in the region. Industrial sector review missions were planned for Nepal, Indonesia, China, Fiji and Papua New Guinea.

42. Turning to the Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian people, she said its key priority areas were human resource development, the development of national and regional technological capacities, upgrading the competitiveness of industrial products, standardization and quality control, industrial management information, and food security through the development of agro-industries. Regular budget appropriations for 1994-1995 for financing regional activities exceeded $500,000, supplemented through cost-sharing and financial contributions by collaborating organizations. A programme strategy for services to the Palestinian people had been prepared to support industrial development in the West Bank and Gaza Strip. The emphasis was on private-sector development for industry, small and medium enterprises, human resource development for industry, the acquisition and application of new technologies to enhance competitiveness, and regional industrial cooperation and integration. Some 14 project concepts had been identified and discussed with the Palestinian authorities and industrialists, and UNIDO would be organizing, jointly with the Palestinian Authority, a workshop to identify and prioritize problems to be addressed. A dialogue was already taking place with the World Bank and UNDP with regard to UNIDO providing support in the execution of industry-related programmes of assistance to the Palestinian people. Industrial sector review missions were planned to Morocco, Palestine, the Syrian Arab Republic, Lebanon and Saudi Arabia.

43. UNIDO's activities in Latin America and the Caribbean were focused on enhancing the competitiveness and productivity of the industrial sector. UNIDO was dealing with selected industrial branches and/or enterprises and supported the strengthening of industrial sector institutions. It was also involved in the aspects of the industrial sector as a whole, with particular relevance to the new world-wide forms of competition. There was special emphasis on the modernization of industrial branches in which small- and medium-scale industry had an important role, since SMEs had a key function in the new paradigm of production flexibility and a great impact on employment and regional value-added. The LAC Programme had been endeavouring to improve the dialogue with other organizations, at regional and subregional level. A number of joint activities reflected the collaboration between UNIDO and the Economic System for Latin America (SELA). UNIDO was promoting a subcontracting programme and also an intersectoral project involving the regional level and focusing on market relationships and the solution of common problems through cooperation in such aspects as packaging, quality and marketing. Programmes were also being promoted that were aimed at establishing strategic alliances between enterprises in different countries, such as Honduras and Nicaragua. Industrial sector studies were being carried out, there had been an industrial sector review mission to El Salvador, and there were plans for missions to Colombia, Mexico and Jamaica.

44. Significant progress was being made in relations with the Eastern European countries and there was close collaboration with the Mobilization and Management of Financial Resources Division. Many of the countries concerned had indicated that they were ready to serve as

donor countries, notwithstanding their recipient status, and UNIDO planned to develop that aspect of its work with them. Experiences from the developing countries were also proving useful in UNIDO's work with the countries with economies in transition. Regular briefings were being held with them, and such briefings were also planned with the GRULAC countries, the Asia and Pacific countries and the Arab countries.

45. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the UNIDO Secretariat was highly gratified at the support the Organization received from the developing countries in general and also from the countries with economies in transition, but he wished in particular to thank the African countries for the resolution of support to UNIDO and UNCTAD recently adopted by the Assembly of Heads of State and Government of the Organization of African Unity. The resolution represented a very clear decision at the highest level to support UNIDO and UNCTAD and to reaffirm the fundamental role of industrialization. The resolution welcomed the efforts made by UNIDO to restructure and to implement its priority programmes, especially in Africa, and encouraged the Director-General to continue the Organization's efforts to accelerate the industrialization of Africa. The resolution deplored the tendency by certain groups in the international community to marginalize those United Nations bodies which were of particular advantage to the developing countries and to question the continued existence of UNIDO and UNCTAD. It urged the developed countries to support, maintain and strengthen UNIDO and UNCTAD as the main organizations in the United Nations system responsible for industry, trade and development, reaffirmed Africa's total support for UNIDO and UNCTAD as very important instruments for the industrialization, trade and development of African countries, and called for efforts to strengthen and reinvigorate the two organizations.

46. **Mr. SOM** (Observer for Malaysia), speaking on behalf of the Asian Group, said that, despite the impressive performance of some countries, there were ever-widening inequalities and imbalances in the level of socio-economic and industrial development in the region. Thirteen out of the 47 least developed countries were located in the Asia-Pacific region.

47. The Asian Group fully supported UNIDO's endeavours to pursue a differentiated approach, evident in a wide variety of tailor-made upstream policy advisory services with an increasing emphasis on up-market technology for the region's more advanced developing countries and a focused approach to accommodate the special needs of the transitional and least developed countries, paying increasing attention to questions of industrial dispersal, rural industrialization and subregional cooperation. Those efforts were appreciated all the more as they were being pursued in a difficult staffing situation in the Asia and Pacific Programme, which should be strengthened in terms of both the quantity and quality of its staff.

48. The Group welcomed the collaborative approach under the LDC component of the UNIDO Special Programme for the Industrial Development of Asia and the Pacific, particularly in its agro-related metalworking regional project. It would like to see similar progress made in formulating and implementing regional support projects, for instance in the food-processing industry.

49. The Group thanked the Secretariat for its organization of the Regional Meeting of Ministers of Industry of Asia and the Pacific to be held at Bangkok in November 1995. That Meeting would give an excellent opportunity to address a number of issues related to competition in an increasingly global world economy, and the questions of ecologically sustainable industrial development, investment and technology transfer, the special situation of the least developed countries and the strengthening of industrial cooperation within the region. It was hoped that the Meeting would provide a valuable input to the sixth General Conference session.

50. While the Group noted with concern the decline in technical cooperation expenditure for the region, owing to cuts in UNDP funds for the fifth programme cycle, it welcomed the measures initiated by UNIDO, which was, *inter alia*, more aggressively seeking a larger share of diminishing UNDP funds and launching in-house efforts to further increase efficiency in the use of existing resources. More vigorous efforts should be made to diversify sources of funding for technical cooperation, using such mechanisms as the Montreal Protocol and the Global Environment Facility. ECDC/TCDC activities were also valuable.

51. He hoped that the ongoing reform of UNIDO would soon yield the expected results. It was important to emphasize the continued relevance and key role of UNIDO as the lead agency within the United Nations system for assistance in the promotion of industry, which was a crucial element in socio-economic development.

52. The Group emphasized its continued and constructive support for UNIDO.

53. **Mr. JAMAL** (Qatar), speaking on behalf of the Arab States, said that those States had supported the restructuring of the Organization as well as the Yaoundé Declaration. The Arab States reiterated their support for

the Organization and its activities, particularly after the views recently expressed by the Commission on Global Governance and by the Group of Seven at Halifax.

54. UNIDO still had an essential role to play in the economic and social development of developing countries in general and the Arab States in particular. Its support was needed in the development of human resources and training, particularly in the area of the transfer of technology. More opportunities should be made available for service in the Secretariat. The successful cooperation between UNIDO and the Multilateral Fund for the Implementation of the Montreal Protocol should be taken as an example for the support of other UNIDO activities, including participation in facilitating the access of developing countries to environmentally clean technology.

55. The Arab States had noted that the activities of the Second Industrial Development Decade for Africa concentrated on sub-Saharan African countries and believed that North African countries should not be neglected.

56. The Arab States called upon all Member States to pay their contributions to the budget in order to enable UNIDO to perform the tasks entrusted to it. It was also important to bolster operational budget resources by using non-traditional sources of funding, in which context projects under special development funds were important. All States that could increase their contributions should do so.

57. He regretted that document IDB.14/15 lacked the information that was necessary for assessment of activities carried out under the regional programme since the General Conference session at Yaoundé. There was also a lack of clarity regarding expenditure on the programme. That document and document IDB.14/10/Add.1 showed that most of the activities approved had been delayed until the last quarter of the period 1994-1995. There was no reference to the status of programmes approved in advance as priorities for the programme for Arab countries.

58. On the bilateral level, information available regarding 1994 showed a decrease by comparison with 1993 in the level of projects implemented in the Arab region except for those under the Montreal Protocol.

59. He urged the Director-General to find ways and means of ensuring that activities were carried out that were of value to the region, including technical assistance to the Palestinian people. It was also necessary to use Arabic in regional studies published by UNIDO in order to make them more useful in Arab countries. The number of UNIDO regional offices, country offices and investment promotion offices in the Arab region should be increased to enhance UNIDO's activities there.

60. More follow-up was needed with regard to the cooperation agreement between the League of Arab States and UNIDO signed in June 1994, in order to generate cooperative projects servicing the Arab region. In line with the directives of the General Conference, UNIDO should strengthen cooperation with the Arab Industrial Development and Mining Organization (AIDMO), using the latter's expertise in formulating programmes, projects and priorities for Arab States and for the Second Industrial Development Decade for Africa.

61. **Mr. KOC** (Turkey) noted with satisfaction the technical assistance to be provided to the Palestinian people. He welcomed UNIDO's efforts in preparing a programme strategy for services to the Palestinian people to support industrial development on the West Bank and in the Gaza Strip in order to improve the living standards of the people. He hoped UNIDO would obtain the necessary support for the execution of related programmes from international financial institutions.

62. **Mr. JAMAL** (Qatar), speaking on behalf of his own delegation, welcomed the attention given by UNIDO to the Arab region, although his delegation would have hoped that cooperation in that context might have proceeded on a broader and more effective basis.

63. He shared UNIDO's view concerning the establishment of a strategy for work and cooperation with the Arab countries and thought it was necessary to refine priorities with regard to the services provided to existing industries and future cooperation projects in order to ensure a sound industrial base. That should cover the promotion of small and medium enterprises, industrial diversification, the adoption of environmentally clean technologies in extracting and manufacturing industries and the development of food production and marketing.

64. He also welcomed the regional workshops in the Arab region on such subjects as the potential for cooperation among Gulf States in the production of machine tools, productivity in industrial establishments and capacity-building for technology transfer negotiations and contract negotiation. He particularly commended the training workshop on the use of the UNIDO Computer Model for Feasibility Analysis and Reporting. He was gratified to note the cooperation between UNIDO and the Arab Industrial Development and Mining Organization and the Economic and Social

Council for Western Asia and the agreement concluded with the League of Arab States identifying areas of cooperation between the two parties.

65. Every support should be given to the efforts of the Palestinian Authority to establish a solid economic base in order to enhance social and economic development through sound and continuous industrial development. He hoped that the programme strategy adopted by UNIDO in that context would be effective in bolstering industrial development in the Palestinian territories.

66. He fully supported the UNIDO reform process and the intention to strengthen field representation in order to ensure direct contact with recipients of advisory services; he would welcome any measure to strengthen the human and financial resources of the field representation programme.

67. **Mr. BAJOWA** (Nigeria) noted with satisfaction the imaginative steps taken by the Director-General to reform and reorient UNIDO in the light of the realities of a changed era and the industrial challenges of a transformed world.

68. He praised the collaboration received by his country from UNIDO in carrying out industrialization programmes in the context of the Second Industrial Development Decade for Africa. The fact that programmes related to the Second IDDA in Nigeria were limited reflected the limited availability of funds rather than any lack of capacity on the part of UNIDO.

69. A major area of interest in his country was the development of the small and medium enterprise (SME) sector. Emphasis was being placed on private and public-sector collaboration, the private sector acting as the engine of development and the public sector providing the enabling environment. The need for bridge-building between the public and the private sectors had been emphasized by the Conference of African Ministers of Industry at Gaborone, Botswana.

70. UNIDO's support for small and medium enterprises was invaluable in the efforts to foster industrial competitiveness and private-sector development. In the context of the UNDP fourth country programme for SME development in Nigeria, the Government was setting up a national credit guarantee scheme in order to expand access to credit for SMEs. He welcomed UNIDO's collaboration in industrial rehabilitation and the expansion of capacity utilization in the SME sector.

71. His Government was making efforts to restore agriculture to a prime position in the economy and reduce overdependence on petroleum, and women were being gradually integrated in those efforts.

72. UNIDO could play an important part in supporting economic integration at the subregional and regional levels. He urged the Director-General to intensify cooperation with organizations such as the Economic Community of West African States, now under the chairmanship of Ghana, in the design and implementation of projects under the Second IDDA programme. He urged the development partners and the international community in general to intensify cooperation with Africa to ensure the success of the IDDA programme, in conformity with the commitment undertaken at Yaoundé.

73. He appreciated the understanding shown by the international community. It was hoped that the democratization process in Nigeria would soon be accomplished in order to further enhance the necessary enabling environment for industrialization.

74. **Mr. AL-ZEID** (Saudi Arabia) expressed full support for the Director-General and UNIDO. He called upon all Member States to fulfil the obligations to support UNIDO that they had taken upon themselves through the Yaoundé Declaration.

75. He had noted that only one third of the activities planned for the period 1994-1995 under the regional programme for the Arab countries had been implemented. He asked for an explanation and for clarification as to the programmes that had been implemented. At the same time, he welcomed the activities recommended in accordance with the priorities of the programme for the Arab countries set out in document IDB.14/15, though most of them took the form of workshops and future studies. UNIDO must establish activities related to training programmes in order to develop human resources and thus enhance industrial capabilities in the Arab region: it should also hold seminars on strengthening and developing Arab industrial cooperation in the field of petrochemicals. UNIDO should help to promote the flow of technology to Arab countries in order to help them make use of local capacities and potential. For that purpose, UNIDO should cooperate with the Arab Industrial Development and Mining Organization, which had expertise and knowledge concerning the Arab region. It should also make use of other Arab expertise available in the region.

76. UNIDO should build bridges of cooperation with technical and financial institutions in the Arab region in order to provide greater openings for their participation in industrial development. It should also devote particular attention to the Arab programme for the

enhancement of capabilities and the provision of skilled staff with knowledge of the situation in the region.

77. UNIDO should devote more attention to the establishment of a clear strategy for technical assistance to the Palestinian people and should cooperate with the Palestinian Authority in order to foster the industrial development of the West Bank and Gaza Strip. It should begin implementation of projects already planned and partially funded as set out in document IDB.14/15. He welcomed the dialogue between UNIDO, the World Bank and UNDP aimed at strengthening assistance to the Palestinian people.

78. He had noted with satisfaction the success achieved by UNIDO in its cooperation with the Montreal Fund and hoped such cooperation would continue. UNIDO should also consider the possibility of establishing means of cooperation with other financial institutions.

79. **Mrs. TEPATANAPONG** (Thailand) associated herself with the statement made on behalf of the Asian Group.

80. She congratulated the Secretariat on presenting a succinct description of the constraints and prospects of the region and of UNIDO's endeavour to develop a programme focusing especially on the needs of the least developed countries. She welcomed the four regional support projects which had already been formulated or were being implemented by UNIDO.

81. While she was aware of the constraints on resources for regional activities, she thought that a comprehensive cost-effective thematic programme should be evolved at subregional level, for instance, for the Mekong River countries. A suitable theme would be the indigenous processing of agricultural and food products. She was sure that national Governments in the region could help in the development of such a programme.

82. With regard to the Regional Meeting of Ministers of Industry of Asia and the Pacific to be held at Bangkok from 15 to 17 November 1995, the Meeting would provide an opportunity for discussing the question of competitiveness at both the macro level and the enterprise level with a view to ensuring ecologically sustainable industrial development. The results of the Meeting would provide valuable inputs to the sixth General Conference session.

83. **Mr. BAPTISTA DA COSTA** (Observer for Angola) said that the Second IDDA called for action in the areas of national industrial policy and institutional development, as well as measures to support subsectoral and enterprise development. The manufacturing sector in most African countries, especially the LDCs, was small and undiversified. It lacked the critical mass for self-sustaining growth and the provision of a skills and technology base through the expansion of inter-industry linkages. It also lacked international linkages; exports of manufactured products were at a low level, and low levels of foreign investment resulted in inadequate channels for the provision of skills, technologies and access to international markets. Due attention needed to be given to reinforcing the acceleration of Africa's industrialization, with emphasis on information dissemination and skills development, combined with promotional activities to encourage access to technology and investment resources.

84. Private-sector promotion activities should focus on the main factors affecting industrial enterprises' productivity and competitiveness, including management techniques, quality, design and packaging, technology applications, transactions, the establishment of national and regional industrial and technological information networks, preparation of specialized SME databases and provision of support to manufacturers' associations. Special attention should also be paid to promoting the integration of women in industrial development.

85. His delegation wished to stress that close co-ordination should be maintained with Governments and intergovernmental organizations in the implementation of their respective IDDA programmes, and also with the World Bank, African development financing institutions, ECA, relevant organizations of the United Nations system, bilateral and multilateral organizations and African intergovernmental organizations, particularly OAU, with a view to enhancing the quality and quantity of assistance provided to African countries.

86. **Mr. BAKHTVAR** (Islamic Republic of Iran) said that, while appreciating UNIDO's efforts to strengthen and develop the Special Programme for the Industrial Development of Asia and the Pacific through various activities in the region, as outlined in document IDB.14/18, his delegation wished to encourage the Organization to continue those efforts with a clear focus on multi-country and subregional activities in cooperation with regional organizations. The programme would be further strengthened by the ministerial meeting due to be held in November 1995 at Bangkok. On that occasion, it would be useful to discuss the follow-up to the implementation of the Teheran Declaration adopted at the Sixth Regional Meeting of Ministers of Industry and Technology of Asia and the Pacific in June 1992, particularly those parts relating to UNIDO-ESCAP cooperation, and also to consider a new perspective for

industrial development in the region within the context of evolving global developments and the process of revitalization of UNIDO.

87. His delegation was convinced that ECDC/TCDC should be one of the main priorities of the medium-term plan, 1996-2001. If factors such as investment, development and transfer of technology, consultation and industrial information services were coordinated and utilized properly by developing countries, more beneficial results would be gained from UNIDO's activities in that area. His country had always supported regional cooperation initiatives that would promote industrial and economic development in the countries concerned. At the proposal of the Islamic Republic of Iran, the twelfth session of the UNIDO Leather and Leather Products Industry Panel would be held at Teheran in August 1995, as a regional meeting encompassing 10 member States of the Economic Cooperation Organization (ECO). His country was also negotiating with UNIDO the establishment, for the ECO region, of an industrial and technological information bank, which would constitute an appropriate source of data for the provision of technological and consultation services to ECO member States. His delegation regretted that chapter 3 of the Annual Report of UNIDO for 1994 (IDB.14/10) made no mention of the signing of the agreement between ECO and UNIDO in February 1994.

88. In conclusion, his delegation wished to state that it supported the remarks made by the observer for Malaysia on behalf of the Asian Group.

89. **Mr. AIT HMID** (Observer for Morocco) said that the developing countries were in need of the technical cooperation that UNIDO could bring about in key areas of industrial development. During the past decade, some countries of North Africa had diversified their industrial base, improved the quality of their products, made increasing use of new production technologies and successfully engaged in public-sector privatization. There were thus areas, such as human resources and technical skills, in which such countries had made notable progress and which were underutilized within the framework of South-South African cooperation. UNIDO should perform a catalytic role in facilitating the acquisition by the African countries of technologies tailored to their needs and in promoting intra-African cooperation in the field of industry and related sectors. Developed countries too could be involved, assisting in the development of skills to meet the needs of industry. That would lead to diversification of the African States' industries and economies, and would considerably increase the chances of success of the Second IDDA.

90. His delegation wished to confirm Morocco's full support for the IDDA activities carried out by UNIDO and to congratulate the Secretariat on the initiatives undertaken in 1994 and 1995, in particular the private-sector promotion forums organized at Abidjan and Gaborone and the efforts to mobilize funds for the implementation of the programmes for the Decade. It hoped that part of the IDDA funds would be allocated to cooperation between the Mahgreb States and sub-Saharan Africa in private-sector promotion and the development of processing industries, particularly agro-industries.

91. In today's world, the key to successful development was the utilization of new technologies and their adaptation to countries' developmental conditions. Morocco accordingly sought UNIDO's continuing support in the area of technology transfer, particularly with regard to advanced technologies and more effective cooperation in human resource development. Particular attention should be focused on the training of women and their integration in the technology transfer process, in order to ensure their effective participation in industrial development and thus their advancement and improved standard of living.

92. In addition, UNIDO could play an important role in attracting foreign investment to the African continent. In that connection, the organization of the investment project promotion forum to be held in Morocco in 1996 within the framework of IDDA was a major priority for his country.

93. His delegation wished to stress the importance of national programmes for the Decade and their adequate preparation, bearing in mind that the countries themselves were responsible for coordinating their implementation. In his delegation's view, one of the weak points of IDDA activities was the hasty preparation of national programmes, and he wished to recommend that in the course of the next biennium the national programmes be updated with the participation of the private sector, Governments and investment promotion centres. National programmes should provide a means for monitoring and coordinating the implementation of the programmes for the Decade.

94. His delegation fully supported the remarks made by the representative of Qatar concerning the programme for the Arab countries.

95. **Mr. AL-DAKHEEL** (Kuwait) said that his delegation endorsed the remarks made by the representative of Qatar on behalf of the Arab States in

connection with the Special Programme for Industrial Development in the Arab Countries. It had hoped that, following the request made to the Director-General, in resolution GC.5/Res.13, for measures aimed at enhancing that programme, an account of the results achieved would have been presented in document IDB.14/15 now before the Board. Unfortunately, that document referred only to initiatives taken or to be taken in the implementation of regional activities. His delegation noted that, in 1994, expenditure for the Arab States had increased on projects under the Montreal Protocol funding arrangement, but there had been a decrease in regard to other projects.

96. With regard to the programme concerning regional cooperation among the Arab States, his delegation felt that there was a need for AIDMO to participate actively in formulating the related projects, which should take account of the common interests of the entire region. Because of its capacities, AIDMO, which embraced all the members of the League of Arab States, could also be actively involved in the implementation of the programme. Furthermore, the North African countries should be integrated into the programme for the Second IDDA, and AIDMO should take part in the implementation of the related projects.

97. His delegation hoped that the regional studies relating to the Arab region, which were usually issued in French and English only, could be produced in Arabic, in order to ensure that full use was made of them.

98. Finally, Kuwait considered it very important to increase the number of UNIDO country offices in the Arab region, with a view to enhancing UNIDO's activities in the region and, in particular, the implementation of the Arab countries programme.

99. **Mr. PHAM HONG NGA** (Observer for Viet Nam) said that his delegation fully supported the statement made by the Chairman of the Asian Group concerning the Special Programme for the Industrial Development of Asia and the Pacific. The analysis contained in document IDB.14/18 of the constraints facing the region and its prospects was well presented. The focus on promoting the processing of food products and the development of small- and medium-scale industries in the LDCs was of particular relevance. UNIDO's endeavours to develop a regional approach to ensure economically sustainable industrial development in the LDCs should continue apace, and his delegation was confident that the forthcoming regional ministerial meeting would lead to the establishment of a concrete programme of action for the region.

100. Five priority areas for UNIDO support had been identified and included in the memorandum of understanding between the Government of Viet Nam and UNIDO signed in November 1994. They were a reflection of the priorities both of his country and of the Organization.

101. The developing countries needed assistance from UNIDO in view of its comparative advantage. In the case of Viet Nam, that comparative advantage related primarily to UNIDO's status as a neutral and impartial cooperation partner with no commercial or country-specific interests, to its status as an international, global organization with a capacity to provide international perspectives on industrial development, to its status as a multilateral agency of the United Nations system able to mobilize and coordinate finance for technical assistance in the industrial field, to its strong in-house professional and multidisciplinary competence in areas of concentration, and to a strong field representation, facilitating demand-oriented programming of technical assistance, as well as efficient monitoring of programmes and projects in the field.

102. In conclusion, while commending the Director-General and his staff for their work in assisting Viet Nam's development, his delegation wished to express its thanks to the Governments of Japan and the Republic of Korea for their support concerning the project relating to assistance for the preparation of a medium-term industrial and trade development strategy.

103. **Mr. EL GAILANI** (Sudan) said that his delegation attached great importance to UNIDO's activities within the framework of the Second IDDA and hoped that the programme for the Decade would be accorded sufficient attention in the biennium 1996-1997. It wished to urge the donor countries and specialized agencies to support the programme so that its objectives could be achieved by the year 2002.

104. His delegation would like to receive further clarification concerning the number of projects implemented and supported under programme 320 referred to in document IDB.14/10/Add.1.

105. The Sudan supported the statement made by the representative of Qatar on behalf of the Arab States concerning the Special Programme for Industrial Development in the Arab Countries. The information contained on that programme in document IDB.14/15 was of a very general nature and did not reflect the activities carried out or the budget approved for the programme. His delegation therefore wished to request

the Director-General to present to the sixth session of the General Conference an updated and comprehensive status report on the programme. His delegation believed that allocations for the programme should be increased and that AIDMO should participate in setting the priorities and designing the projects included in it.

106. His delegation appreciated the attention given by UNIDO to the provision of support to the Palestinian people. It hoped that the projects agreed with the Palestinian authorities would be sufficiently funded with a view to their satisfactory implementation, and it urged the donor countries and international banks to give special priority to the programmes of assistance to the Palestinian people.

107. Although Arabic was an official language of UNIDO, regional studies on the Arab region were issued only in English or French, and thus were only of limited use.

108. **Ms. KING-AKERELE** (Managing Director, Country Strategy and Programme Development Division), replying to points raised during the debate, said, in connection with the concern expressed by a number of Arab States regarding the participation of the North African countries in the IDDA programme, that UNIDO had published a folder entitled *Working with African Industry*, which included a fact sheet on the Arab countries and IDDA. That listed a number of IDDA support projects in the Arab North African region, including a technical assistance project on industry-related services for Tunisia, Morocco and Algeria, an investors' forum for Morocco, a waste minimization project involving the Sudan, the SME "umbrella" programme involving Arab countries, and an analysis of the automotive industry in Africa that would include case studies of Egypt, Tunisia and Morocco. Moreover, Tunisia and Morocco had both played lead roles in discussions at the recent private sector forum in Botswana.

109. With regard to the suggestion made by the observer for Morocco concerning South-South cooperation and his remarks concerning revised national programmes, she could confirm that an approach had already been made to UNIDO from the Moroccan private-sector participants at the private-sector forum seeking business contacts on the proposed lines, and that UNIDO was currently preparing a project document for financing the revision of national IDDA programmes in the North African States to the tune of $70,000 to 90,000.

110. Although there had been a decrease in traditional sources of technical assistance funding from UNDP, impressive efforts had been made to mobilize funds in the Arab region. The figure for projects approved financially in 1994 for the Arab countries programme (IDB.14/10/Add.1, page 8) did not include the projects actually developed. The total number of projects developed and approved in that year was in fact 84.

111. She wished to stress the relevance of the Montreal Protocol funding facility in technical cooperation activities. Its growing importance was due to its technical characteristics, which were fully in line with the Organization's set of priorities as defined by Member States, and its potential for generating funds for UNIDO activities at a time when other sources of finance were diminishing. UNIDO had been assigned the role of technical implementing agency for the Montreal Protocol.

112. She appreciated the acknowledgements made by a number of delegations, including Turkey and Qatar, concerning UNIDO's Palestinian strategy. As stated in her introductory remarks, a sizeable package already existed, and the Organization was in close consultation with other donors concerning project financing.

113. Note had been taken of the interest expressed by the representative of Nigeria in relation to private-sector development and the suggestion regarding support for economic integration efforts currently under the chairmanship of Ghana. Ghana would host the next meeting of the Conference of African Ministers of Industry (CAMI) and would also chair the follow-up to the private-sector forum for the West African coastal subregion. The issue of private-sector development in terms of regional integration was thus expected to be aggressively pursued.

114. Regarding the pertinent comments made by the representative of the Islamic Republic of Iran concerning regional cooperation and ECDC/TCDC activities involving UNIDO and ECO, she was pleased to report that some cooperation with ECO was already under way. The forthcoming meeting of the UNIDO Leather and Leather Products Industry Panel at Teheran would provide an opportunity to explore

business possibilities in the region, and the Organization would look into other areas of cooperation in the future.

115. She wished to express appreciation for the positive statements made by Malaysia on behalf of the Asian Group, by Thailand and by the Islamic Republic of Iran. Those remarks were most encouraging, particularly as the programme for Asia and the Pacific was operating under very difficult staffing conditions. It was true that technical assistance resources for Asia and the Pacific had diminished but, as had been pointed out, that was beyond UNIDO's control. It was due mainly to the drastic reduction in UNDP indicative planning (IPF) funding for the countries of the region. There had also been a dramatic increase in national execution in the region. In the past, UNIDO had had greater opportunities for participating in the execution of UNDP projects in the region.

116. Note had been taken of the suggestion made by Thailand regarding the development of a subregional programme on a thematic basis. Food processing, SMEs and artisanal industries were very pertinent areas. The Organization hoped to develop some interesting proposals in the Mekong area. That would require the assistance of the States of the region, and ECDC/TCDC would be an integral component of those proposals.

The meeting rose at 6.15 p.m.